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In the September 2010 issue, I highlighted the work of HUD's Office of Multifamily Housing Programs, led by Deputy Assistant Secretary Carol Galante. For this edition, I'd like to describe the vital contributions our Multifamily Office is making to rental housing in this country.

Last week, HUD reported to Congress that "worst case needs" for housing grew more than twenty percent from 2007 to 2009. "Worst case housing needs" are defined as renters with incomes that are less than 50 percent of the median in their area. Sadly, these families are very poor, receive no government housing assistance, and pay an excessive amount of their monthly income for rent, they are described as "worst case housing needs." HUD reported that there were 7.1 million of these households in 2009. These unassisted households paid more than half their monthly incomes for rent, lived in severely substandard conditions, or both. In short, these households are one of the main demographics that the Multifamily Office works so diligently to serve.

HUD's report links the dramatic increase in "worst case needs" to joblessness, but there is also a general lack of affordable housing, as well as a lack of financing and liquidity to solve this problem. The dedicated efforts of Carol and her staff throughout the country help to increase the supply of affordable and market-rate apartments. In 2010, FHA insured 1,011 multifamily loans, which equates to almost 157,000 units of housing, well over triple the amount it endorsed just two years ago in FY 2008.

The evidence is in the unprecedented number of units, and also in the "worst case needs" report – the market relies heavily on HUD's Multifamily Office to help supply and maintain many types of affordable rental housing. To deliver on these needs, Multifamily has in place several initiatives to transform the way HUD delivers rental assistance and supportive housing to low-income residents. I'd like to acknowledge the priorities and initiatives of the Multifamily Office for 2011, and beyond.

Reforming HUD's Supportive Housing Programs for the Elderly and Disabled On Jan. 4, 2011, President Obama signed into law Section 202 of the Supportive Housing for the Elderly Act of 2009 (S. 118) and the Frank Melville Supportive Housing Investment Act of 2010 (S.1481). These bills positively impact HUD's efforts to provide rental assistance to two of our most vulnerable populations: low-income elderly and low-income persons with disabilities. HUD will be implementing these improvements starting in Fiscal Year 2012.

LINKS

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HUD press releases The Supportive Housing for the Elderly Act of 2009 made changes to facilitate preservation procedures for Section 202 projects. It encourages owners to preserve older properties and prevent displacement of seniors, using incentives for mixed sources of funding. With a focus on refinance and long-term affordability, The Office of Multifamily Housing will play an integral role in working with owners to effect these new authorities as part of their broader efforts to ensure long-term affordability for elderly tenants residing in HUD assisted housing.

The Frank Melville Supportive Housing Investment Act of 2010 provides a number of changes to better align the Section 811 program with current practice in the supportive housing and mixed-finance field. These changes are represented by a new programmatic purpose, to "promote and facilitate community integration for people with significant and long-term disabilities."

For example, it provides new authority to HUD to allocate operating assistance funds to states that can demonstrate a strong working relationship between their housing and human service agency. It also promotes integrated housing opportunities for people with disabilities by requiring a minimum of Section 811 units in larger multifamily developments. With these changes and new flexibilities in financing and administration, the Office of Multifamily Housing expects to see more projects forthcoming, and will work closely with state governments and non-profit sponsors to enhance housing for persons with disabilities.

In addition to 202/811 Reform, the Office of Multifamily has three more major priorities: *Choice Neighborhoods, Rental Housing Revitalization Act (formerly TRA), and Preservation.*

Choice Neighborhoods

The Choice Neighborhoods initiative, a collaboration with HUD and other federal agencies (Education, Justice, HHS), will transform distressed neighborhoods and public and assisted projects into viable and sustainable mixed-income neighborhoods. It links housing improvements with community services such as schools, public assets, transportation, and access to jobs. It places strong emphasis on local community planning for access to high-quality educational opportunities, including early childhood education. This will increase sustainability in communities over the long-term.

The Choice Neighborhoods Demonstration builds upon the success of the Hope VI program that brought private capital and mixed-use, mixed income tools to transform public housing. Choice Neighborhoods grants will provide significant support to the preservation and rehabilitation of distressed public housing, and distressed HUD-assisted multifamily housing, such as those assisted with Section 8 contracts, within the context of a broader approach to concentrated poverty.

Rental Housing Revitalization Act (RHRA, formerly TRA)

The Office of Multifamily Housing is an active participant in the RHRA initiative, which aims to simplify HUD's rental assistance programs so that

they are governed by a single, coherent set of rules. RHRA reflects HUD's commitment to developing a reliable, long term solution to preserve affordable housing, support affordable housing reinvestment and neighborhood revitalization efforts and to bring enhanced opportunity and choice to residents.

In December 2010, U.S. Representative Keith Ellison (D-Minn.) introduced the RHRA, which builds upon our proposal. Mr. Ellison is preparing to reintroduce the bill shortly in the new Congress. The new version of the bill will include feedback from the industry to focus on preservation, and give owners new flexibilities.

Rental Policy Working Group (RPWG)

The Rental Policy Working Group is a joint effort across Federal Departments. The Department of Treasury, HUD, and the US Department of Agriculture are aligning efforts to reduce redundancies in paperwork and field visits. The group was established in 2010 by The White House's Domestic Policy Council (DPC) in direct response to stakeholder requests for better coordination in Federal rental policy.

The RPWG will align efforts in physical inspections of properties, income definitions, financial reporting, energy efficiency, appraisals and market studies, subsidy layering review, capital needs assessments and compliance.

Affordable Housing Preservation

And last but definitely not least, affordable housing preservation is one of our highest priorities. We are confronting a wave of maturing mortgages and expiring rental assistance contracts. We are moving aggressively to implement reforms to help preserve these critical resources. In the upcoming year, we will:

- Free up Residual Receipts for rehabilitation and acquisitions for energy efficiency upgrades, aging in place improvements, and to help pay for transaction costs related to preservation.
- Provide incentives for owners to sell to preservation purchasers. To address the issue of maturing mortgages, we plan to allow nonprofit owners to access proceeds from the sale of a property prior to mortgage maturity, if they sell to an owner who will commit to long-term affordability.
- Facilitate the refinance of preservation and senior housing.
- Increase awareness on preservation issues. Our commitment to preservation includes new goals for FHA endorsements of preservation transactions and encouraging 20-year Section 8 contracts.

Conclusion

In September, I mentioned how we were projecting that FHA was going to insure unprecedented numbers of multifamily projects and total loan amounts in Fiscal Year 2010. The final FY 2010 numbers confirm that. In addition to insuring a record 1,011 multifamily loans, the total mortgage amount insured of \$11.3 billion in FY 2010 is a five-fold increase in dollar volume compared to just two years ago.

It is remarkable that Multifamily Housing staff in our 18 Hub Offices around the country were able to handle this heavy increase in loan volume, despite the fact that staffing levels have actually decreased by 15% due to budget constraints. I deeply appreciate their hard work and dedication.

In 2011 and beyond, the Multifamily Office will work on many of these key initiatives and continue to provide many Americans with housing opportunities in vibrant communities with sustainable living. Currently, there is over \$17 billion in multifamily loan applications in the pipeline, so I expect Carol Galante and all of the 1600 employees in Multifamily Housing will have a busy year ahead.

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